

Message Text

UNCLASSIFIED

PAGE 01 COPENH 05227 010815Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /100 W
-----014135 010819Z /12

P R 311637Z AUG 77
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC PRIORITY 5049
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY REYKJAVIK
AMEMBASSY STOCKHOLM

UNCLAS COPENHAGEN 5227

USEEC

USOECD

E.O. 11652: N/A
TAGS: EFIN, EC, ECON, PINT, DA
SUBJECT: ECONOMIC/POLITICAL DEVELOPMENTS AFTER DEVALUATION

REF: COPENHAGEN 5194

1. EXCHANGE RATE DEVELOPMENTS IN COPENHAGEN WERE QUIET
TODAY, AUGUST 31. AS EXPECTED, DANISH AND NORWEGIAN
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KRONER ARE MOVING SLOWLY DOWN FROM THEIR LEADING POSITION
IN SNAKE, SPREAD OF WHICH WAS NARROWED TO 1.5 PERCENT.

2. ECONOMIC-POLITICAL NEGOTIATIONS REMAIN UNSETTLED.
FOLKETING IS EXPECTED TO PASS ENTIRE COMPLEX OF FISCAL
RESTRAINT AND EMPLOYMENT INCENTIVE BILLS BACK TO COM-
MITTES TODAY WITHOUT VOTES ON INDIVIDUAL BILLS. THIS

WILL PERMIT FURTHER BARGAINING BETWEEN GOVERNMENT AND
OPPOSITION BEFORE THIRD AND FINAL READING BY END OF
WEEK.

3. CONSIDERING RESTRICTIVE EFFECTS OF DEVALUATION ON
PRIVATE DEMAND, OPPOSITION REPORTEDLY HAS ACQUIESCED
WITH THREE PERCENT INCREASE IN VAT RATHER THAN FIVE
PERCENT ORIGINALLY DEMANDED, AND GOVERNMENT HAS AGREED
TO MODIFY OTHER EXCISE TAX BILLS. DISAGREEMENT NOW
PRIMARILY CONCERNS EXTENT OF EMPLOYMENT INCENTIVE PRO-
GRAM WHERE OPPOSITION HAS DEMANDED MORE EXTENSIVE
BUSINESS SUPPORT MEASURES THAN PROPOSED BY GOVERNMENT.

4. SETTLEMENT BY MEANS OF FORMATION OF COALITION
CABINET TO MEET THE CRISIS HAS APPARENTLY BEEN GIVEN
UP AFTER THIS IDEA WAS SHARPLY DENOUNCED BY LEFT-WING
OF SOCIAL-DEMOCRATIC PARTY AND BY TRADE UNIONS.
SDP CONVENTION IS SCHEDULED TO TAKE PLACE IN THREE WEEKS
AND ALTHOUGH PRIME MINISTER JORGENSEN IS CONSIDERED TO
HAVE FIRM HOLD OF PARTY, AMILITANT SDP MINORITY COULD
MAKE HIS LEADERSHIP OF A COALITION WITH THE CENTER-
RIGHT PARTIES VERY DIFFICULT.
DEAN

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NNN

Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
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Disposition Reason:
Disposition Remarks:
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